

ETAG

Foundation Shareholders' travel rights

Background

In order to ensure a successful flotation of Eurotunnel in 1987 applicants for shares to be registered in their own name were offered travel rights (referred to as 'privileges' in the documentation), which they were to be entitled to for the duration of the Concession for the tunnel's construction which now ends in 2086. The extent of these rights depended on the number of shares acquired, and were contingent on the shareholder retaining the requisite number of qualifying shares.

These rights expired on transfer of the shares, save for one exception: if there were joint holders from the outset, the rights were conferred on the first named, and could be transferred to the second named.

There was a 'rights' issue of shares in 1990 which conferred rights in similar terms.

Those acquiring shares in the 1987 & 1990 issues are referred to as the 'Foundation Shareholders'. The travel privileges granted in subsequent share issues were at the directors' discretion, renewable annually, and unlike the earlier rights were not a contractual obligation of Eurotunnel.

Financial implications

The holders of the 1987 travel rights are entitled to trips on payment of a fixed £1 fee for each crossing; 1990 holders are entitled to a 50% discount. Eurotunnel maintains that this costs the company £200,000pa, a miniscule proportion of its total revenue approaching £700m.

However, the original contract permitted Eurotunnel to charge those who wished to utilise the travel rights £10pa registration fee at 1987 prices, which would now equate to about £20 if the Retail Price Index were applied. Hitherto, the company has not chosen to make this charge, but should it wish to do so to the remaining 12,000 shareholders who would benefit from the travel rights would contribute £240,000pa.

Consequently, by seeking to extinguish these travel rights, the company is both removing a profit centre and alienating its core supporters.